

The AMERICAN OBSERVER

A free, virtuous and enlightened people must know well the great principles and causes on which their happiness depends. — James Madison



VOLUME III, NUMBER 28

WASHINGTON, D. C.

MARCH 26, 1934

Italy, Austria and Hungary Sign Pacts

Three Nations Agree to Consult with Each Other and to Improve Trade Relations

HELP FOR AUSTRIA CHIEF AIM

Mussolini Attempts to Check Hitler's Campaign to Control Nation

Benito Mussolini, the wily Duce of Fascist Italy, has been pulling the strings in Europe's puppet show. The stage, in this case, is Central Europe, and the principal puppets are Austria and Hungary. A short time ago it looked as if Adolf Hitler might become the main string-puller. But Hitler has been pushed aside, temporarily at least, by the resourceful Mussolini, who is doing his utmost to save Central Europe from German Nazism and at the same time, incidentally, to place it firmly under the influence of Italian Fascism.

The latest act in this European play, which at times is a tragi-comedy but is mostly pure tragedy, took place in Rome. On March 14, Chancellor Dollfuss of Austria and Premier Goemboes of Hungary, in response to the Duce's invitation, arrived in Rome. A series of conferences were held and three days later several pacts were signed with the appropriate gold pens amid the atmosphere of chill formality always characteristic of such occasions.

Consultative Pact

The new agreements provide for two principal things the first of which is political. The three governments "animated by the desire to contribute to the maintenance of peace and the economic restoration of Europe on the basis of respect for the independence of every state . . . bind themselves to agree among themselves on all problems which particularly interest them . . . (and) will proceed to common consultation whenever any one of them considers it advisable." Stripped of all its verbiage this simply means that Italy, Austria and Hungary will not act independently of each other in problems of a general European character. Before taking steps they will consult each other and will agree on a common policy. It is a strong consultative pact which, while it is not an alliance, seems to assure that Italy, Austria and Hungary will act as one in the European political situation.

Trade Agreements

The second important result of the Rome meetings is two economic pacts, designed to improve the trade of the three countries with each other. Preferential tariffs will be granted, and, as far as possible, the goods of Austria and Hungary will be shipped out of Trieste and Fiume, Italian ports on the Adriatic, rather than the German ports of Bremen and Hamburg. Every effort will be made to improve trade relations among the three powers, and particularly between Austria and Italy for which purpose a special pact is to be negotiated.

Such is the latest trend of events in Europe. These are the surface arrangements which have been made. What lies behind them? What will they really mean

(Concluded on page 6)



FLYING WEATHER—BAD

—Cowan in Boston Transcript

Sweeping Automobile Strike Threatens Nation as A. F. of L. and Motor Companies Clash

The labor situation in the automobile industry has been growing more serious every day during the last two weeks. Directors of the National Automobile Chamber of Commerce, who constitute the code authority for the industry, have been conferring with General Johnson in New York for several days in last-minute efforts to prevent a strike throughout the automotive plants. The American Federation of Labor has announced a strike call, to be issued if the manufacturers do not agree to the demands of workers in A. F. of L. unions. These workers claim that the collective bargaining provisions of the code are being evaded, and that company unions, completely controlled by the employers, are the only unions with which the motor companies will deal. The collective bargaining clause states that each worker shall have the right to a representative of his own choosing in negotiations with his employer regarding wages, hours, and working conditions. The workers claim that this right is being denied them. They ask for an election under the supervision of the NRA at which all laborers in the industry may vote to determine whether they desire to be represented by the company unions or by A. F. of L. unions. They demand further that men who have been discharged for their activities in organizing unions shall be reinstated, after a review of their cases by an impartial NRA board.

On the other hand, the automobile manufacturers have declined to grant these de-

mands or to deal with the A. F. of L. in any way. In particular the officers of the General Motors Company declare that the A. F. of L. union leaders are not the officially chosen representatives of their men. They say the point at issue is "whether the American Federation of Labor shall run the automobile industry." They deny that the company unions are controlled by the factory owners, and state that the principle involved in the collective bargaining clause is being upheld in their plants. The Automobile Chamber of Commerce, while discussing the trouble in closed sessions with General Johnson, issued advertisements in the newspapers appealing to employees not to join in the strike.

The strike call was set for March 21, provided no agreement had been reached by that time. Tension over the dispute has been growing in Detroit, Flint, Pontiac, Cleveland and St. Louis among workers in the automotive factories; while the dismay of the manufacturers has been reflected in the stock market and in the general business outlook. Henry Ford is playing a lone hand, as usual, and is not participating in the New York conferences.

While much uneasiness has developed in anticipation of the strike, it is believed that it will not last very long if it is called. Obviously a very important labor principle is involved, and one of the most important points in the NRA plan. Perhaps the final settlement will determine the entire future course of labor relations under the NRA.

Eastman Plans for Railroad Recovery

Government Regulation of Buses, Trucks and Waterways Asked in Latest Effort

DEPRESSION CAUSED DAMAGE

Colorful History of Rail Lines Provides Background for Present Troubles

For a little more than eight months Mr. Joseph B. Eastman, as federal coordinator of transportation, has been leading and guiding the march of America's railroads along the difficult upward path of recovery. Hit harder than almost any other industry by the depression, the railroads in April, 1933, reached their lowest point in more than thirty years. In the next month, May, they began to revive, very slowly. The rise has continued since that time, but the transportation problem is still very acute and is likely to remain a thorny question for some years to come. Last June the special session of Congress passed the emergency transportation bill, giving Mr. Eastman general charge of the railroads and their troubles during the emergency.

Eastman Reports

Eastman has been the outstanding figure on the Interstate Commerce Commission since his appointment in 1919. For some years before that time he had been active in railroad and public utility matters in Massachusetts. Early this year he issued a report covering the first months of his work as FCOT. Its most significant statement was that the railroads should eventually be owned and operated by the government, but that the financial problems involved are so complex that government purchase is out of the question for the present.

Then a few days ago the coordinator sent another report to the president and to Congress. He proposed several bills which would place other forms of transportation—motor trucks, buses and waterways—under the same government regulation as the railroads. Part of his summary read as follows:

It has become evident that the entire transportation industry, including the other agencies as well as the railroads, is in need of the guiding hand of government control if a threatening chaos is to be transformed into order; and this is the conclusion that has been generally reached in other countries. The object of such control is not only the protection of the railroads, but the protection of every form of transportation.

The declaration of this policy springs from a recognition of the fact that competition by other agencies, particularly trucks and buses, has been one of the chief causes of the partial collapse of our railroads during the last five years. Motor traffic has been subject to no federal regulation, and it has been able to give cheaper and better service to shippers in many sections of the country.

The railroads have not collapsed very much physically. Fast freight and passenger trains still operate much as they did in the days of prosperity. Many schedules have been reduced and some small lines

(Continued on page 7)

Notes From the News

Prospects of a Stationary Population; Noted Cartoonist Joins Department of Agriculture; Nation's Aviation Progress; Radiovoting

IF THE decline in the growth of population in this country continues at its present rate, it is estimated that within two or three decades the population will become stationary at somewhere between 135,000,000 and 145,000,000. This slowing down process has been going on for a number of years. For example, the Scripps Foundation for Research in Population Problems at Miami University, Oxford, Ohio, places the population of the United States on January 1 as only 126,144,000, a gain of not quite 3,370,000 since 1930. In contrast, during the same length of time after the census of 1920 the population increased by 6,876,000. Part of the decline in population is due to immigration restrictions and part to a lower birth rate.

Now it is obvious that many new problems will arise if our population becomes stationary. Our cities will cease to grow so rapidly. Our farmers and manufacturers will not have the ever-expanding market for their goods that they have had in the past. Far-reaching readjustments in our social, political and economic life will have to be made. But there will probably be many benefits as well as disadvantages to living in a more stationary society. One of the hopeful aspects was recently brought out by Warren S. Thompson and P. K. Whelpton, two members of the staff of the Scripps Foundation to which we have already referred. In a joint article in the *New York Times*, these two men expressed their opinions as follows:

As one of the larger social consequences of slower population growth we wish particularly to call attention to the probability that as communities (villages and their hinterlands, cities, counties, states and even the nation as a whole) find that they are not growing as in the past they will begin to set up other criteria than growth for judging the quality of their living. When X can no longer boast of a 20 to 30 per cent increase in numbers every ten years it is highly probable that its people will ask whether health facilities are as good as in Y; whether the park system is adequate to care for the outdoor recreational needs of the community; whether their community has as good housing for its laborers as Y; whether the children are as well equipped to start in life as are the children of other communities and a thousand and one other questions calculated to fix attention upon the quality of life in their community.

In the past we have been so engrossed in caring for mere numbers that we have not dared to ask whether we were building a humane civilization; we have been so busy getting schools built that we have had little leisure to ask whether they were performing their proper function in adjusting young people to the kind of life the community had to offer them when they came to make their own living and to order their own leisure. We have been so proud of the fact that X had the largest shoe factories, or was the largest distributing point for gloves, or we have so considered a hundred other quantitative measurements that we have not stopped to ask whether the mass of workers in X lived satisfactorily or how they could be given larger opportunities.

In general, cessation of growth in numbers should give respite from supplying the merely material needs of people and allow time to ask the meaning of living and to try experiments in the organization of community enterprise which will issue in more rounded and more satisfactory living.

"Ding" Comes to Washington

Secretary of Agriculture Wallace has announced the appointment of Jay N. Darling of Des Moines, Iowa, as chief of the Bureau of Biological Survey. Mr. Darling, who is more commonly known as "Ding," is one of the foremost cartoonists of the country. His clever drawings are enjoyed daily by hundreds of thousands of newspaper readers. He has always been deeply interested in steps to preserve the nation's wild-life resources.

In expressing his gratification at Mr. Darling's acceptance, Secretary Wallace said: "Probably at no previous time has there existed in this country such a favorable and nation-wide approval of the administration's efforts to reestablish and preserve our valuable wild-life resources. Mr. Darling will be warmly welcomed by all of us here in the Department. He will make a real contribution and I personally look forward with pleasure to our official association."

Since January 6 of this year, Mr. Darling has served as a member of the president's committee on Wild-Life Restoration. This committee, submitting its report to the president on February 8, rec-



MRS. ROOSEVELT INSPECTS PUERTO RICO'S TOBACCO INDUSTRY

This picture was taken on her recent visit to the island.

only to President Roosevelt. Clarence Darrow does not take long to swing into action, and much is expected to be heard from his board.

"Radiovoting"

A new device called "radiovoting" has been invented by Dr. Nevil Monroe Hopkins, a prominent New York engineer. The device, according to Dr. Hopkins, is designed to take a "straw vote" of a radio audience to find out how those "listening in" are enjoying the program. Here is his plan:

Each radio would be equipped with three pushbuttons. One would register "present," the second "no," and the third

high expectations for the future of aviation.

The progress which has been made in rendering flying more safe is also brought to light in *Aviation*. It shows that in 1932 the number of passenger miles flown for each passenger fatality was more than twice as high as in 1929, and in 1933, "it was substantially more than double the 1932 level—practically a sixfold improvement made in four years. On the basis of the 1933 statistics, an airplane passenger could make a round trip across the continent every month for fifteen years and only have one chance in twenty of meeting with serious accident."

Talking Books for the Blind

After seven years of research and experimentation, a talking book has been developed which is expected to open the doors of literature to thousands of blind men and women in this country. The new talking book is in reality a special type of sound record "played" on a reproducing machine. Each record plays eighteen minutes to the side. Whole novels can be heard on the records in a few hours, whereas days are now required for blind persons to read books by the Braille touch system. Moreover, contacting the blind with fine literature can henceforth be made an easy and enjoyable pastime for them, instead of a tedious task as it is now.

Three types of talking-book machines have been developed. All are portable. The American Foundation for the Blind will sell these machines for twenty, forty and sixty dollars (cost price). Radio sets are combined with the higher-priced machines.

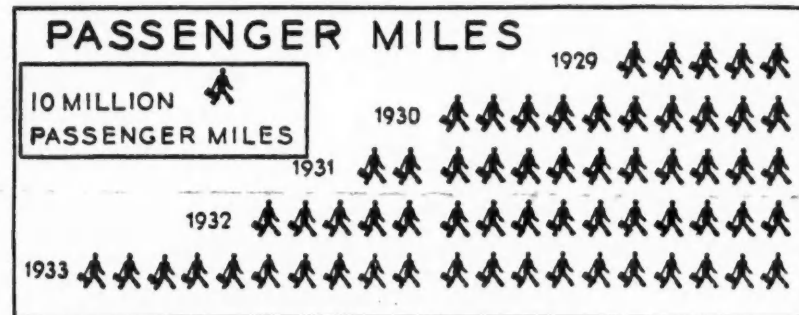
The Library of Congress in Washington is planning to establish libraries of the new records in various parts of the country. Financial aid is also being sought to place a talking-book machine in the possession of every blind person. This innovation should open up new channels of pleasure and learning to the 80,000 or more blind people in this country, as well as those in foreign countries.

Underworld's Armed Forces

"There are more people under arms in the underworld today than in the army and navy of the United States." This striking and challenging statement was recently made by United States Attorney General Cummings to the Senate Judiciary Committee as it began consideration of a group of bills submitted by the Justice Department to aid the national government in a war on gangsters. Mr. Cummings said that legislation should be enacted to enlarge the national government's jurisdiction over criminal acts because of a "twilight zone of authority between the state and federal jurisdiction which has afforded roving bands of criminals opportunity to operate with success."

Ford Assails Munition Makers

In a recent interview to an Associated Press correspondent, Henry Ford charged that a small group of munition makers, looking for huge profits through the sale of arms, were responsible for war. He held that the people in general were peace loving. He went on to say that if the world could get rid of about 100 munition makers, peace would reign.



THE PROGRESS OF AMERICAN AVIATION

—From *Aviation*

ommended the immediate acquisition of five million acres of submarginal agricultural land in forty-four states, and the gradual acquisition of an additional eight to ten million acres for wild life production and related purposes.

Clarence Darrow's New Job

Much interest is being centered on the NRA Review Board, established a short time ago by executive order of the president. There are two reasons for this interest; first, the board is headed by that famous criminal lawyer, Clarence Darrow, and second, its chief duty is to look out for the "Little Fellow." It is entirely independent of the NRA, and is responsible

"yes." The radio announcer, by asking several simple questions, could find out how many persons were listening to the program at hand and how they were enjoying it. The answers to the question would be relayed through the power house of each station by a system of electrical current measurement which Dr. Hopkins says he has worked out. This system would also enable polls to be taken during political campaigns.

"Radio of tomorrow will give the long suffering listener a voice in the matter of programs," Dr. Hopkins declares. He points out further that radio advertisers will be able to learn more accurately the size of their audiences, just as newspaper and magazine advertisers can now. Radio sets, he says, could be equipped with the three buttons for about twenty-five cents each.

1934 Business Prospects

Private employment in January and the first half of February hit the highest point in three years, according to a report issued by the Department of Commerce. Department store sales increased sixteen per cent over those for the same period last year. Steel operations reached forty-six per cent of capacity, after dropping to twenty-four per cent in recent months. Moreover, automobile plants are swamped with unfilled orders. Taken all in all, business prospects for 1934 seem extremely favorable.

Air Progress

The magazine *Aviation* reveals the splendid progress made by air transport and aviation in general during the last few years. As shown by the chart on this page, the number of passenger miles flown in this country in 1933 was four times as large as in 1929. If this gain could be made in depression years, one may have



THE NRA REVIEW BOARD (CLARENCE DARROW, CHAIRMAN, IN CENTER) WHICH IS LOOKING OUT FOR THE INTERESTS OF THE SMALL BUSINESS MAN

AROUND THE WORLD

Italy: Whatever may be thought of Mussolini, he certainly cannot be charged with lack of frankness. In a speech bristling with clear-cut, emphatic statements, made before the Quinquennial Assembly of the Fascist party in Rome on March 18, he left no doubt as to his attitude on matters of importance. Witness the following extracts: "Austria may be assured she can count on Italy at all times. No effort will be spared by Italy to assist her. . . . Italy's relations with Yugoslavia are normal and diplomatically correct, but they can be improved. . . . Italy's relations with France have improved very much from the general point of view, but it cannot be denied that not one of the problems which have stood between the countries for the last fifteen years has been started on the road to solution. . . . Italy has supported and will continue to support Hungarian aspirations. Hungary deserves and will have a better place than has been reserved for her hitherto. . . . If disarmament fails there will be no need to reform the League of Nations for that will be sufficient to sign its death warrant. . . . To think it is possible to keep Germany disarmed is pure illusion. It is necessary to grant Germany the right to rearm and to possess effectives and weapons for her defense."

England: A short time ago the Laborites won control by election of the London County Council and hence London became "the biggest socialist municipality in the

world." Immediately the labor leaders announced a vast housing program, designed to rid London of its famous slums. When this news reached the national government, the Conservatives, who are dominant, pricked up their ears. They could not afford to allow the Laborites to pile up valuable political ammunition by making living conditions in London superior to those in Manchester, Liverpool, Birmingham and other British cities. Accordingly, they have announced a program of their own to cover the whole of England and Wales. But just how far either party will actually get with their projects remains to be seen.

France: The Chamber of Deputies voted on March 16 to take a two months' vacation leaving the Doumergue government to govern by decree within prescribed limits. Among other things, the government has been authorized to modify French tariffs as it sees fit and to effect further economies in order to balance the budget. Last week, also, the government completed its memorandum on disarmament and sent it on to London. The text of the note has not been published at this writing, but it is said to take a strong stand against Germany's request for additional armaments.

Germany: Dr. Kurt Schmitt, minister of economics in Hitler's cabinet, becomes dictator of German business, under a new decree recently made public. A program

of sweeping reorganization is planned, under which rivalry and unrest are to be banned. Some business concerns will be dissolved, others merged, all subjected to severe regulation. Dr. Schmitt will have the assistance of twelve men, each designated as the "leader" of a group of industries. For example, group number one will be composed of the mining, iron and metal industries. Its leader is Krupp von Bohlen, head of the Krupp works, Germany's great armament firm of pre-war and war times.

China: The population of Shanghai is estimated to be about 1,500,000—not a large figure in comparison to China's total of 400,000,000. Yet in this city alone during 1933 24,338 infants were abandoned on the streets to die of exposure because their parents were too poverty stricken to care for them. The little bodies were picked up and buried by the Shanghai Public Benevolent Society.

Argentina: The League of Nations committee, which has spent weeks in Buenos Aires trying to unravel the Chaco tangle, admitted failure last week and set sail for Geneva. It will draw up a report in which, it is intimated, the United States and other American nations will be censured for not having employed sanctions to force an end to hostilities between Paraguay and Bolivia. Thus, international peace machinery has again failed to prevent war. In fact, it was reported last

week that the two warring nations were massing their armies for the greatest battle which has yet taken place over the disputed Chaco area.

Japan: Increasingly strained relations are expected to develop between Japan and Great Britain as a result of the breakdown in London of a conference between British and Japanese cotton exporters. The British had tried to persuade the Japanese not to increase their textile exports more rapidly than general world trade increased. The Japanese refused. They have a decided advantage over other countries with their lower labor costs and are determined to profit by it.

Austria: The Austrian Heimwehr, the private army of Fascists under Prince von Starhemberg, has refused Chancellor Dollfuss' request that it be placed under his direct control. The principal reason behind this decision, it appears, involves a fear that Dollfuss would reduce the size and strength of the Heimwehr in order to economize. But there is probably more to it than this. It has been apparent from the beginning that Dollfuss and the Heimwehr leaders do not see eye to eye on all questions. The latter are resolved to maintain their independence, and are preparing to ask for stronger representation in the Dollfuss government. Unless their views are harmonized there may be a serious test of strength between Dollfuss and the Heimwehr.

RUMANIA, AND GREATER RUMANIA

It is commonly agreed that the World War caused an enormous amount of damage in Europe. Aside from the actual devastation of conflict, the continent has since been prey to a long succession of ills, each traceable to the war and to the shaky, unbalanced structure left in its wake. But if the war was an ill wind, there is no denying that it blew someone good. The majority of nations, both victors and vanquished, may have been the losers, but at the same time there were a few gainers. Rumania is a conspicuous example.

The Rumanians claim to be the direct descendants of the Romans who conquered the Dacians around 100 A. D. The Dacians were of Thracian origin, and before the Romans came, ruled the region extending from Moldavia to the Black Sea. The sons and grandsons of these Roman settlers became known as Carpathians, and, when the power of Rome began to give way to the invasions of barbarians, it is said that the Carpathians retired to mountain strongholds and that in the main the race was kept intact. Nor later, when the Turks subjugated Moldavia and Wallachia—the two original Rumanian provinces—did this sturdy race permit itself to become overcome by Turkish influence. Somehow or other the Rumanians managed for the most part to preserve their racial solidarity, a fact of which they are intensely proud.

The beginnings of Rumanian independence lie in the last century. The two provinces of Moldavia and Wallachia were united in 1861, and their independence formally recognized in 1878. But the Rumanian people overflowed the boundaries of those two provinces. They occupied a large part of the surrounding territory which remained in the possession of Russia, Bulgaria and Austria-Hungary. The Rumanians wished to possess these lands to complete the union of what they claimed to be their ancestral domain.

Their opportunity did not come until

the present century. They joined in the Second Balkan War in 1913 and acquired Dobrudja from Bulgaria. Then the World War broke out. For two years the Rumanians hesitated, not knowing which side to join. King Ferdinand I belonged to the Hohenzollern family and naturally the temptation to align Rumania with the central powers was strong. But reason proved more powerful than sentiment, and when the allies promised King Ferdinand that in return for his assistance Rumania should be given a large slice of Austria-Hungary upon the successful termination of the war, he elected to join the allied cause. That he used shrewd judgment is attested to by the fact that today Rumania has all the land she wants. Not

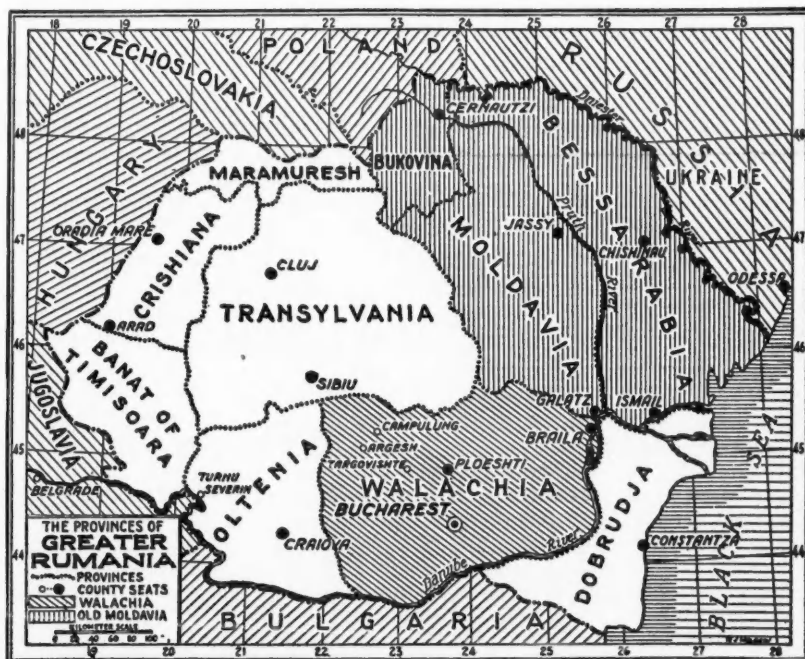
only were the allied promises carried out, but the Rumanians also managed to obtain and hold Bessarabia, which had once formed a part of Moldavia but which had been in the possession of Russia.

Rumania's new possessions have given her trouble, however. The mixture of peoples in that part of the world is such that, while she united all her own nationals, she had, at the same time, to take in a great number of foreigners. In Transylvania there are 1,500,000 Hungarians, in Bessarabia there are 1,000,000 Russians, and there are also 750,000 Germans, the same number of Jews and 250,000 Bulgarians. About 4,000,000 out of Rumania's 18,000,000 inhabitants are of foreign origin.

These minorities have been a constant source of friction and ill feeling. The Rumanians have endeavored to absorb the foreigners by attempting to wipe out the traces of their origins. The minorities charge that they are being oppressed. The neighboring nations are incensed and hope some day to regain their losses. Hungary is particularly bitter, and if the opportunity ever presents itself she will seek to recapture Transylvania. And Russia, while she has agreed not to go to war over Bessarabia, has not recognized Rumania's claim to the territory.

In addition to these troubles Rumania has been having constant internal difficulties. The country is impoverished for want of capital to develop its rich resources, principally oil. The peasants are generally poor and ignorant, although they have been helped considerably by a policy of land redistribution. These peasants are simple and tradition-loving in their ways. They still wear the ancient costumes and in many respects live much as their ancestors did.

But the country is awake politically. The king has wide powers but is not a dictator. There is a parliament and there are extremely influential individuals, whom the king cannot afford to disregard. Titulesco, the foreign minister, is perhaps the principal figure. He is liberal and believes that Rumania's future is inseparably linked to that of France, her ally and chief source of influence and assistance since the war. Not all Rumanians, however, agree, especially the Fascists or Iron Guard who want to bring Hitlerism to Rumania. Recently a member of the Iron Guard assassinated Premier Duca and precipitated a crisis. Titulesco and his followers still retain the upper hand, and the Iron Guard is banned. But King Carol, like his father, is a Hohenzollern. His sympathies are said to be with Germany. Should the Fascists gain in power, and the liberals be ousted, France may be deprived of an important prop along the Danube.



—Courtesy Society of Friends of Rumania
GREATER RUMANIA

The AMERICAN OBSERVER

A Weekly Review of Social Thought and Action



Published weekly throughout the year (except two issues in December) by the CYCLO EDUCATION SERVICE, 744 Jackson Place, Washington, D. C.

Subscription price, single copy, \$3 a calendar year. In clubs for class use, \$1 per school year or 50 cents per semester.

Entered as second-class matter Sept. 15, 1931, at the Post Office at Washington, D. C., under the Act of March 3, 1879.

EDITORIAL BOARD

CHARLES A. BEARD HAROLD G. MOULTON
GEORGE S. COUNTS DAVID S. MUZZEY
WALTER E. MYER, Editor

VOL. III MONDAY, MARCH 26, 1934 NO. 28

The Labor Issue

In commenting upon the difficulties between employers and employees that have arisen in the automobile industry, the St. Louis *Post-Dispatch*, a liberal journal, has the following statement to make:

The *Post-Dispatch* has complete sympathy with the apprehensions which beset the automobile industry in this critical hour. It is quite aware that labor in the United States has been badly led; that it has too often been guilty of ruffianism; that its ranks have sometimes reeked with rackets; that, having lived by the sword, it has sometimes perished by it. We are fully conscious of the difficulty of keeping labor within reasonable bounds; of making it at all times as fair to capital as the Government is now asking capital to be to labor. We are not so naive as to believe that greed does not dwell in the breast of the worker as well as in the breast of the employer.

Nevertheless, we have 40,000,000 people in the United States whose livelihood is from gainful labor. We cannot make our great industrial machine function unless these people enjoy what the President has called a purchasing wage. To accord them less than this from the profits of industry is to collapse our great domestic market. Have we not seen exactly how it comes about? How the great industries have diverted excessive profits into more and more plants and so brought about overproduction? How they have scattered among a favored few bonuses and swollen dividends with which the masses might have bought the products of manufacture and so kept the factories running?

Have we forgotten that two thirds of our manufactured products are bought by those whose incomes are not in excess of \$2,000 a year? Have we forgotten that the mad decade which lies behind us left a few hundred multimillionaires at the top and some 15,000,000 unemployed people walking the streets?

We cannot believe that the automobile industry will force the President's hand. It has too much to gain by righting of the national economy, too many millions of people in the United States who still remain to buy automobiles, too great an obligation to a Government which has opened its purse to assist in building the greatest highway system in the world. In a word, the industry's future is too bright, its obligation too great.

It must yield. If it will not, the President must save it from itself.

Political Power Shifts

Under the New Deal, there is coming to be a great concentration of political power in the hands of the national government, says the Baltimore *Sun* in a recent editorial. State and local political lines are coming to mean less and less. The *Sun's* comment on this sign of the times follows:

Political power is being gradually shifted under the New Deal from the State capitals to Washington. This has given local politicians a genuine grievance, for it is beginning to hurt them where they can least afford to be hurt. In short, it has been attended by a marked decline in financial contributions from business men and other worthy constituents.

The latest indication that politics as well as business is being



THE PROFESSIONAL VENTRILOQUIST

—Carmack in CHRISTIAN SCIENCE MONITOR

subjected to a process of centralized control from Washington comes from Oklahoma City. There the party managers are worried to death because a State election is almost at hand and they have practically no funds with which to conduct their campaigns. They are still digging furiously in business circles and among their friends, but with little prospect of success. These two brief sentences in a dispatch from Oklahoma City give the answer:

Under the New Deal, control of all business has shifted to the National Capital. Favors are dispensed no more from State Capitals.

In a sense, this is a rather frank commentary on the purpose of political contribution, though it must be confessed that no sober observer of American politics has ever been deceived as to the motives that inspire the giving of substantial sums of money to party war chests. Looking at the reverse side of the Oklahoma picture, one finds that as the power of the State political machine declines, that of the national party machine must grow.

Indeed, the concentration of economic power in Washington gives the organization that happens to be in office a tremendous level with which to pry financial contributions out of business men, big or little, in order to keep itself in office. This is not to say that that organization will use this leverage unfairly or unethically, but the opportunity will nevertheless be there.

Franco-German Politics

In the second of a series of articles on "Europe Moves Toward War," appearing in *The Nation*, Johannes Steel discusses "Germany's Dreams of Expansion." Mr. Steel gives a considerable amount of enlightening information on the present trend of Franco-German politics from which we cite the following quotation:

This concerted drive (of propaganda) on the part of the Nazis is naturally used as justification for French insistence upon security. Also France itself will soon be affected by this propaganda, for it is certain that when the plebiscite is held next year, the Saar will vote by an overwhelming majority for a return to Germany. Those who do not wish to vote for Hitler will do so out of fear. The pressure of Nazi propaganda in the Saar is so strong that Hitler's principles of racial and political discrimination are already being absorbed by the population and are finding expression in social and economic boycotts. Incidentally this will soon mean another emigration of thousands of liberals, Socialists, intellectuals, and Jews. France is not so much concerned with the fact that the Saar will be restored to Germany as with the question, what price will be paid for the Saar mines. These mines were taken as reparations and when the Saar is returned to Germany they will be useless to their French owners because the Saar valley will naturally lose its customs union with France. The haggling over the price of these mines is certain to result in illuminating incidents and to shed light on existing Franco-German industrial connections. For some eight years past the Comité des Forges has worked in close cooperation with the German steel trust. The German capitalist Rechberg, who is a partner in the German steel trust, has large investments in the Saar, and even the German Vice-Chancellor, von Papen, who is married to a French countess, has the better part of his holdings in France and the Saar.

The Comité des Forges and the French armament industry always actively fought the policies of Briand, who worked for a rapprochement with the Germany of Stresemann, and those of Laval and others who believed that a reconciliation with the Germany of Brüning was possible. Yet these same interests have experienced no difficulty in cooperating with a man like Rechberg, who was instrumental in helping Hitler to power. Thus while many decent Frenchmen are seriously worried over the danger of German aggression, an important section of French capitalism is cooperating with German capitalism. The French steel trust sees in the rise of Hitlerism in Germany a good excuse for increasing the armament budget and instigating chauvinistic propaganda but no impediment to harmonious relations with the German steel trust. How complete this harmony is may be gathered from the fact that last December the representatives of the German and French armament industries met at Geneva and concluded an agreement for the Far Eastern arms market.

The Mellon Case

The recent charges levelled against former Secretary of the Treasury Mellon for violating the federal income tax laws have evoked the following editorial statement from the Philadelphia *Record*:

In the fields of taxes, or tariffs, or monopoly control, or banking, the national interests might at any time have conflicted with the Mellon interests. And Mr. Mellon, as Secretary of the Treasury, was inevitably called upon to act as judge between himself and his Government.

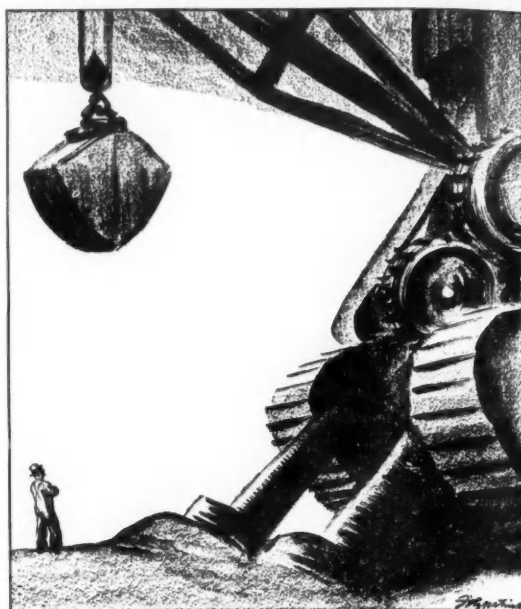
Under the circumstances, it was unethical, if not improper, for President Harding to offer him the post, and it was improper for him to accept it. With the best intentions in the world, it would have been impossible for Mr. Mellon to escape the conflict of interests between his private and his public capacities.

Historian Adams on the New Deal

James Truslow Adams, the eminent American historian, in a recent article appearing in the *New York Times Magazine*, gives his impressions of the New Deal and its effect upon the American conception of individualism. Mr. Adams writes:

I think it is unnecessary to get too excited over the permanence of any "revolution" wrought by Mr. Roosevelt, though, with luck, I hope we shall have some permanent left-overs of a better sort than from the New Era of Coolidge or even the New Freedom of Wilson. It is nevertheless a paradox that Mr. Roosevelt can only succeed by failure. That is, I believe that the people will agree to a complete making over of our economic society only if the president fails to reestablish a certain degree of prosperity.

In that case, anything might happen. We might get a new deal or the cards might be scattered all over the floor. When Mr. Roosevelt took office the people were thoroughly scared. Moreover, they were angry. After scaling the peaks of luxury and debt in the New Era they found their pockets empty and,



SERVANT OR FRANKENSTEIN?

—Fitzpatrick in St. Louis POST-DISPATCH

some of them, their stomachs. They were willing to try anything, but their aim in doing so was not Utopia but some cash in the bank again. It is beginning to come. There is more money and less fear; and the bills for the Utopia are yet to be paid. Some months hence if people are again confident, if they are making money and having it taken from them in unprecedented amounts by an experimental government, they will be much more likely to step on the brakes than on the gas, and the New Deal will be slowed down. . . .

There will be a reaction when the present crisis has passed, and however we may find it necessary to extend the powers and functions of government, we shall wish to do so in such a way as to maintain our traditional sphere of independence for the individual. We have learned in the past fifty years or so that the "rugged individualism" of the traditional farmer or pioneer or the "dog eat dog" of the business man has to be combined with a social sense and social duties; but in essaying the New Deal which shall effect the combination I think we shall in the long run insist upon opportunities for the development of a deeper and a richer individualism—that of the mind and spirit as well as of action.

The South and Nationalism

The New York *Herald-Tribune*, in a recent editorial, calls attention to an important and interesting pamphlet on the effect of a policy of economic nationalism upon the ten cotton states of the South, written by Mr. Peter Molyneux, editor of *The Texas Weekly*. Excerpts from the editorial follow:

Mr. Molyneux raises a standard, if not a revolt, at any rate of warning. With a battery of statistics he argues that even through the decade of prosperity the economic level of the cotton South was sinking; with the depression it fell into collapse. Even in the boom years these states, including nearly a quarter of the land area of the United States, more than a fifth of the total population of native parentage, were struggling with a slowly progressive impoverishment of an already backward and impoverished economy. The reason he finds for this situation is that the overwhelmingly predominant industry of these states is the raising of cotton, which must be sold on world markets at world prices by a community itself living within a highly protected tariff area. The protected domestic market is of little advantage to an industry which must sell half its product for export; but the tariff is crushing to a section which lives by such an industry.

Like other thoughtful Southerners, Mr. Molyneux traces the economic backwardness of the South right back to the first adoption of a high-tariff policy at the beginning of the last century. He believes the tariff policy to have been a wrong against the South, but he believes that the question was settled at Appomattox with a verdict "which must continue to stand." The South cannot secede from an economy in which it feels itself consistently to have been the discarded stepchild. Mr. Molyneux does, however, protest with vehemence against any such extreme intensification of the old policy as would be implied by economic nationalism. He believes that the United States as a whole must in the near future accept an "unfavorable" trade balance, either by increasing imports or decreasing exports. He thinks that the former would be the best policy for the country as a whole; he feels certain that the latter would be catastrophic for the South, upon whose great and unprotectable export crop the chief blow would fall.

If silence is golden, we fear Vice-President Jack Garner is guilty of hoarding. —St. Louis POST-DISPATCH

Every new disarmament plan seems designed to bring a little new hope to the munitions manufacturers. —San Diego UNION

The average mental age during the last war was computed to be twelve. If anyone gets us into another, twelve will seem high. —Detroit NEWS

It is of interest to pedestrians to learn the looks of the new cars, to tell whether the enemy is coming or going. —Kansas City STAR

Russia and Cuba have been recognized—and the Republican party is beginning to be hopeful. —Tampa TRIBUNE

WITH AUTHORS AND EDITORS

We read old books for their excellence, but new ones to share in the mental life of our time.—SATURDAY REVIEW OF LITERATURE.

Explorer Lewis

"Meriwether Lewis of Lewis and Clark," by Charles Morrow Wilson. New York: Thomas Y. Crowell. \$3.

VOLUMES have been written about the famous expedition of Lewis and Clark, but up to the present very little has been written about the life of Meriwether Lewis. It is this fact which makes Mr. Wilson's biographical study so important to students of early American history.

Mr. Wilson's approach is that of the true scholar. He has familiarized himself thoroughly with all the material available on the life of the great explorer. He has gone back to the original documents in weaving together the threads of his story. And yet, his book is anything but dry and uninteresting. Mr. Wilson has brought into play all his talents as a writer in making an interesting and colorful story.

An idea of the author's ability to grasp and transmit to his readers the spirit of the times of which he is writing may be seen from the following account of the transfer of the Louisiana Territory from French to American sovereignty:

The place was New Orleans; the time noon, Monday, the twenty-ninth of December, 1803. The United States was taking over the Louisiana Territory.

The crowd was there, Place d'armes was crowded with townsmen and shore-leave sailors. The Military was there, too, a detachment from the First Regiment, United States Army, in the act of being changed from foreign to domestic duty.

The ceremony of transfer was in charge of Captain Marcus Irving, U. S. Army, who commanded a detail of about thirty soldiers. Captain Irving chose to fire a cannon. His troopers dragged a muzzle-loader to the foot of the flagstaff, rammed a generous helping of gunpowder into its stubby maw, and stood at attention. When the fitting moment came, Corporal Henderman lit the fuse. The cannon roared a shattering salute, along with a dense fog of powder smoke.

The Tricolor of France began to descend and soon the Stars and Stripes waved from the high tip of the mast. The territory of Louisiana, a million square miles of wilderness, was part of the United States; the mouth of the Mississippi was officially free; the tide of American immigration was at liberty to enter upon what was then, as it prob-

ably is now, the largest continuous belt of farmable land in all the world. The crowd cheered and waved hats and handkerchiefs. Liquor and mirth and gallant sentiments flowed freely. In New Orleans they had been flowing freely for a considerable spell; but here was good reason for another drink.

In like manner, Mr. Wilson builds up the life of his hero. He tells of his career as personal secretary and intimate friend of Thomas Jefferson before the days of the famous expedition; of his experiences as governor of the Louisiana Territory; of his mysterious death in Tennessee; and of countless other absorbing events. The book may be recommended to all who would recapture the spirit of this rough-and-ready period of our history.

Latin America Analyzed

"Whither Latin America?" by Frank Tannenbaum. New York: Thomas Y. Crowell. \$2.

DR. TANNENBAUM'S book is anything but a conventional discussion of the various countries to the south of us. He explodes many of the theories which have been so popular among us, and upon the validity of which so many of our economic and political relations with Latin America have been based. The author maintains, for example, that the countries which he treats are not suited to an industrial civilization, and that because of the lack of natural resources and other unfavorable economic factors must remain permanently in the background.

It is one of the conclusions of this book that the Latin American countries will exert greater influence in the intellectual and cultural fields than in the economic and political. Many people will question this contention, for they will point out that other nations, such as Japan and Great Britain, are painfully lacking in natural resources and yet have come to occupy a really predominant position in world politics. It may be argued that the same thing may be true of Latin America in the future.

Dr. Tannenbaum does not take up his subject by countries. Rather he divides it into broad economic and social problems

covering the whole area. Population, industrialism, finance, foreign trade, transportation, education, labor, agriculture, are the chapter topics of his book. While those who are seeking a complete and detailed account of present-day Latin America will be disappointed with this book, it may be used with profit by students of social sciences who would orient themselves in preparation for more exhaustive studies. It is regrettable that the author did not include an index to his book.

Gould, Cooke, et al

"The Robber Barons," by Matthew Josephson. New York: Harcourt, Brace. \$3.

SEVERAL years ago, when Charles A. and Mary Beard wrote their "Rise of American Civilization," they included a passage which reads as follows: "To draw the American scene as it unfolded between the Civil War and the end of the nineteenth century, without these dominant figures (the financial

and industrial wizards) looming in the foreground, is to make a shadow picture. To put in the presidents and the leading senators . . . and to leave out such prime actors in the drama is to show scant respect for the substance of life."

It is in order to draw such a picture that Mr. Josephson has written his book. "The Robber Barons" is a story of the financial leaders who may be said to have ruled America, to a large extent, between the Civil War and the beginning of the present century.

These men were Jay Cooke, J. Pierpont Morgan, John D. Rockefeller, Commodore Vanderbilt, Andrew Carnegie, Jim Fisk, Jr., Jay Gould, Collis Huntington, Jim Hill, Edward Harriman, Henry Frick, Leland Stanford and others.

Of course, this sort of thing has been done before. Various historians, especially those who have written during the last few years, have attempted to show how the economic destinies of the United States were ruled by a comparatively small group of men and how these men influenced the political government. But Mr. Josephson has culled all the material on the subject, eliminating the relatively unimportant, and prepared a meaty and vital book on this aspect of American history. Every student of American history would do well to read and meditate upon Mr. Josephson's book, for in the light of the evidence which he brings forth American history becomes real and meaningful.

The Human Palm

"Our Revealing Hands," by Noel Jaquin. New York: Robert M. McBride and Company. \$2.50.

IS THERE a science to palmistry? The question has been argued back and forth for centuries. Some people will tell you that they believe in reading palms and others will say they do not. It all depends upon what you mean by "palm-reading," we gather from Dr. Jaquin's book. If you hope thereby to peer into the future, there is not much to it. The idea that the key to the future may be read in the hand has, we are told, done immeasurable harm to the science of palmistry. It has become linked with superstitious and occult practices.

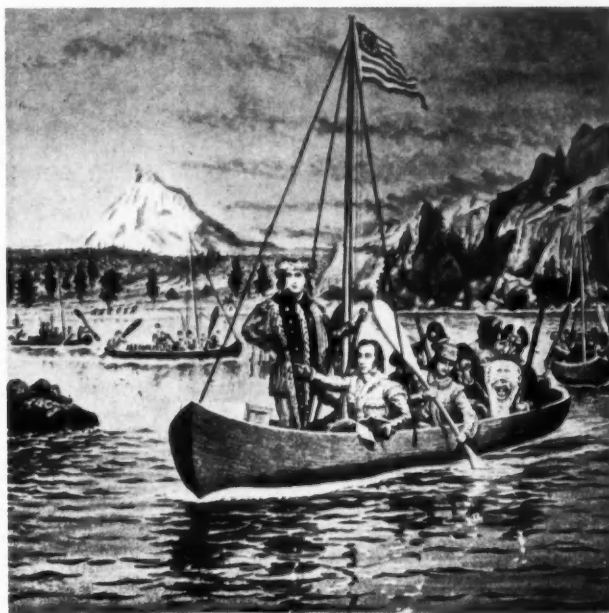
For there is a science of palmistry, according to Dr. Jaquin, who is said to be one of the world's foremost authorities on the subject. It is possible, by reading the hand, to detect certain characteristics of an individual. His mental and moral progress or deterioration can be measured. Disease can be traced and diagnoses made. This is not a book of parlor tricks but a serious, scientific discussion of palmistry.

Sardinian Mystery

"The Feud Mystery," by S. S. Smith. New York: Harcourt, Brace and Company. \$2.

THE Italian island of Sardinia forms the background for this story. Andrea, an Italian youth from the Institute of Rome, goes to Massa, a small Sardinian village, to study the nuraghi which are strange conical towers, made of stone and found nowhere else in the world save in this Mediterranean island. A valuable scholarship is offered by a Sardinian count for the most thorough study of these towers, and Andrea is out to win the coveted prize.

While on his research mission, the



THE LEWIS AND CLARK EXPEDITION

From an old print

Italian youth learns of a vendetta, or feud, between two families, the Breses and the Deladdas. Andrea likes both families. In talking with them he finds out a strange thing. Both families swear that the other killed their dog. This sounds suspicious to Andrea, as though some outsider were inciting the controversy. After a member of each family has been killed, Andrea is determined to find out who is stirring up the hatred between these two families. When he is not absorbed with his study of the nuraghi, he spends his time trying to trace down the real origin of the feud. Because of the superstitious character of the two Sardinian families, his task is a difficult one. But his efforts are not in vain.

The solving of this mystery, coupled with glimpses of Sardinian life, holds the attention of the reader.



Two new books in the Social Action series published by the W. W. Norton Company of New York are announced for this month. They are the "New Internationalism," by Clark Foreman of the Department of the Interior, and "American Farm Policy," by Wilson Gee. In the former book, the author describes the new system of state trading which in most countries is supplanting the ways of conducting international trade that have been prevalent for a hundred years or so. In "American Farm Policy" the author outlines plans for a national agricultural policy which will maintain the "American way" of owner-farms as against collective and large-scale farming as attempted in Russia. This series of books is prepared under the editorship of Dr. Alvin Johnson and is extremely valuable to students of contemporary problems.



Several years ago, Major Herbert O. Yardley, a former officer of the Department of State, wrote a book called "The American Black Chamber," which caused quite a sensation in this country. It was a book which revealed many of the secrets connected with American diplomacy during the war. In fact, the book was such a sensation that it led to the enactment of the Secrets Bill by Congress which prevented the further publication of Secret Service practices. Major Yardley has not given up his writing career, however, but has turned his attention to the writing of spy fiction. "The Blonde Countess," a book belonging to this type of literature, will be published next month by Longmans, Green and Company.

ERRATUM

In THE AMERICAN OBSERVER of March 12, the caption on this page which read "View of the Sistine Chapel in the Vatican" should have been "View of the Vatican Library." We regret the mistake.



MEXICAN VILLAGE

From a drawing by Diego Rivera in "Mexico—A Study of Two Americas" (Macmillan).

Mussolini Takes Charge

(Concluded from page 1, column 1)

in the future of Europe? We cannot answer these questions fully at the present moment, for much of the international bargaining has been taking place behind closed doors. Certain things, however, are clear.

It is apparent that by inviting Dollfuss and Goemboes to Rome, Mussolini took the initiative in combating Hitler's campaign to establish a Nazi government in Austria. In fact, for some time there has been going on a grim duel between Germany and Italy over Austria. It seemed once that Hitler would make short work of Austria; that the Nazi movement would quickly overthrow the government of Chancellor Dollfuss. But Dollfuss managed to hold out against the Nazis principally because of the help he obtained from Italy and France. Recently all the assistance has been coming from Italy, since France was obliged to withdraw from the arena on account of her own internal political crisis. In order to gain a stronger hold on Austria, Mussolini is said to have been influential in persuading Dollfuss, through the Heimwehr, the private army largely financed by Italian money, to banish the Socialists. Mussolini wanted to win Austria over to his system of Fascism, but this could not be done as long as the Socialists remained a power in the Austrian government. Hence, the civil war in Austria broke out which, as we know, resulted in the defeat of the Socialists.

Nazis Stronger

Having clearly established his influence over the Dollfuss government, Mussolini next moved to consolidate his position. He realized that there was still grave danger of the Austrian Nazis coming into power. In fact, the civil war had strengthened the Nazi cause, since many Socialists, incensed at Dollfuss, have joined the Nazi camp. It is believed, now, that the Nazi forces are in the majority in Austria.

But nevertheless an anti-Nazi government is in power, and that government controls the army with the help of Italian money. Mussolini kept his advantage and has now moved to assure its continuance if possible. He knows that if the Nazis are to be prevented from gaining control

in Austria, something must be done about the country's deplorable economic plight. Austria is without essential resources and depends on foreign trade for sustenance. Mussolini, therefore, hopes to increase exports and imports among Austria, Hungary and Italy, thereby strengthening Austria.

At the same time he is concluding a political consultative pact, which means that Italy formally declares her intention of keeping Austria independent. It is a way of reemphasizing Italy's attitude on the matter. And it assures Mussolini that Dollfuss will not suddenly change his mind and come to terms with Hitler.

It is a question whether Mussolini will succeed in this latest shrewd maneuver to counter Hitler's attempts to extend Nazi sway into Central Europe. In one respect he is fortunate. There are signs that the long-standing rivalry between France and Italy over Central Europe is waning. Jealousy between these two major nations has been a major factor since the war in preventing a solution to Europe's economic and political problems. Heretofore, France has had the upper hand and has been the dominant influence in European politics. This was because of her system of alliances which bound Poland, Czechoslovakia, Rumania and Yugoslavia to her. Likewise her financial, and thus her political, influence extended to Austria and Hungary.

The predominant position of France was never to Mussolini's liking. He dreamed of the rebirth of a powerful Italy, an Italy which would become the leading nation in Europe. But France stood in the way. Accordingly, Mussolini sought by every way possible to reduce the power of France. He encouraged the desire of Hungary and Germany for treaty revision. He began more and more to exercise an influence over Hungary and was at first friendly to Hitler, who proclaimed Mussolini as his model. But in spite of these efforts, he was unable to cope with the power of France.

Curiously enough, it was the rise of Hitler in Germany which gave him his opportunity. The threat of a new power in Europe has resulted in making France and Italy realize their common interest. Italy,

above all things, does not wish to see Germany create a new Mittel-Europa, a new group of pro-German Central-European states. Nor, of course, does France.

Domestic Crisis in France

France, moreover, is weakened at the present time because of her domestic crisis and also because she is no longer sure of the support of her important ally, Poland. Recently, Poland and Germany concluded a ten-year nonaggression pact and it is reported that Polish sympathy for France is cooler than ever. Also, there are Fascist stirrings in Rumania, and Czechoslovakia and Yugoslavia are beginning to wonder whether it would not be to their interest to work more in harmony with Germany. France, therefore is facing a possible break-up of the Little Entente, of the system of alliances which she so carefully built up after the war. That is why she is willing to let Mussolini take the initiative in curbing the Hitler movement.

To this extent Mussolini has fared well. But there is a real obstacle in his path, in that certain basic factors favor Germany, factors which cannot easily be removed. For example, trade is more natural between Germany and Central Europe than between Italy and Central Europe. Germany has industries and resources which are lacking in Italy. She is in a position to offer markets which the Italians cannot. The logical way of bolstering Austria's economic position lies, in a number of ways, through Germany and not Italy.

Who Pays?

In the absence of this natural arrangement Austria must be supported, as she always has since the war, by foreign loans. There is considerable doubt that Italy can continue to finance Austria. For instance, it takes \$90,000 a day to support Austria's armed forces, which are vital to the suppression of the Nazis. Italy may not be paying all of this but she is probably responsible for a good part. Nor is there much likelihood that large sums of money can be found in France and Great Britain.

In addition, there is the fact that Nazi sentiment in Austria is apparently in the

majority. After all, Austria and Germany speak the same language and have the same general cultural traditions. Many Austrians dislike Italy and resent Italian interference as much as they do German. These are formidable factors which favor Hitler. At present he is playing a waiting game. He is convinced that in time Austria will fall into his lap, and that in the process France's Little Entente will be smashed. By strenuous effort Mussolini may prevent this, especially if France helps. Otherwise conditions favor eventual Nazi victory.

SAVING THE RAILROADS

(Concluded from page 7)

rough illustration of the plight of the railroads. It is more or less the same condition which has been the chief cause of many railroad receiverships through the years. This condition is called "overcapitalization."

Economists of the Brookings Institution in their excellent study, "The American Transportation Problem," state that railroad financing was comparatively sound during the years from 1906 to 1913 and 1921 to 1929, but the ravages of depression wiped out income so drastically that the present fixed debt, in relation to income, has caused overcapitalization to become a fact.

But to whom is the debt owed? That is an important question. The book mentioned above answers it as follows: "United States life insurance companies have more than three billion dollars invested in railroad bonds; mutual savings banks hold another billion; and other banks, insurance companies, and public service institutions have between two and three billion more." It is easy to see that the financial prosperity of the railroads is bound up with the prosperity of every part of the population. Every policy holder in an insurance company, every stockholder and depositor in savings banks would suffer if the railroad debt were to be cancelled. This complicated condition of railroad investment is perhaps the greatest difficulty to be faced by the railroad administrators.

The Wage Cut

The problem of railroad unemployment remains. The employees still at work have been subject since 1932 to a ten per cent cut in wages, through a special agreement between labor and management. This agreement expires on June 30. Railroad managements say it must be continued. But last week the workers demanded a restoration of their old pay. This demand was unexpected, but the employees made a strong case for themselves.

All the recent studies of railroads agree that some lines must be joined with others; that freight rates have remained too high in the last five years to attract customers; and that there is a great deal of needless duplication of services by the competing roads. These factors combine to make the railroads unhealthy. However, their business has improved steadily for several months. Most of them are making money, except for interest payments on their debts, and a few are paying the interest and making money besides. New, high-speed, streamlined trains are being built to meet competition of buses and airplanes for passenger traffic. Railroads are meeting the threat of the motor truck by picking up express and freight with their own trucks at the customer's door.

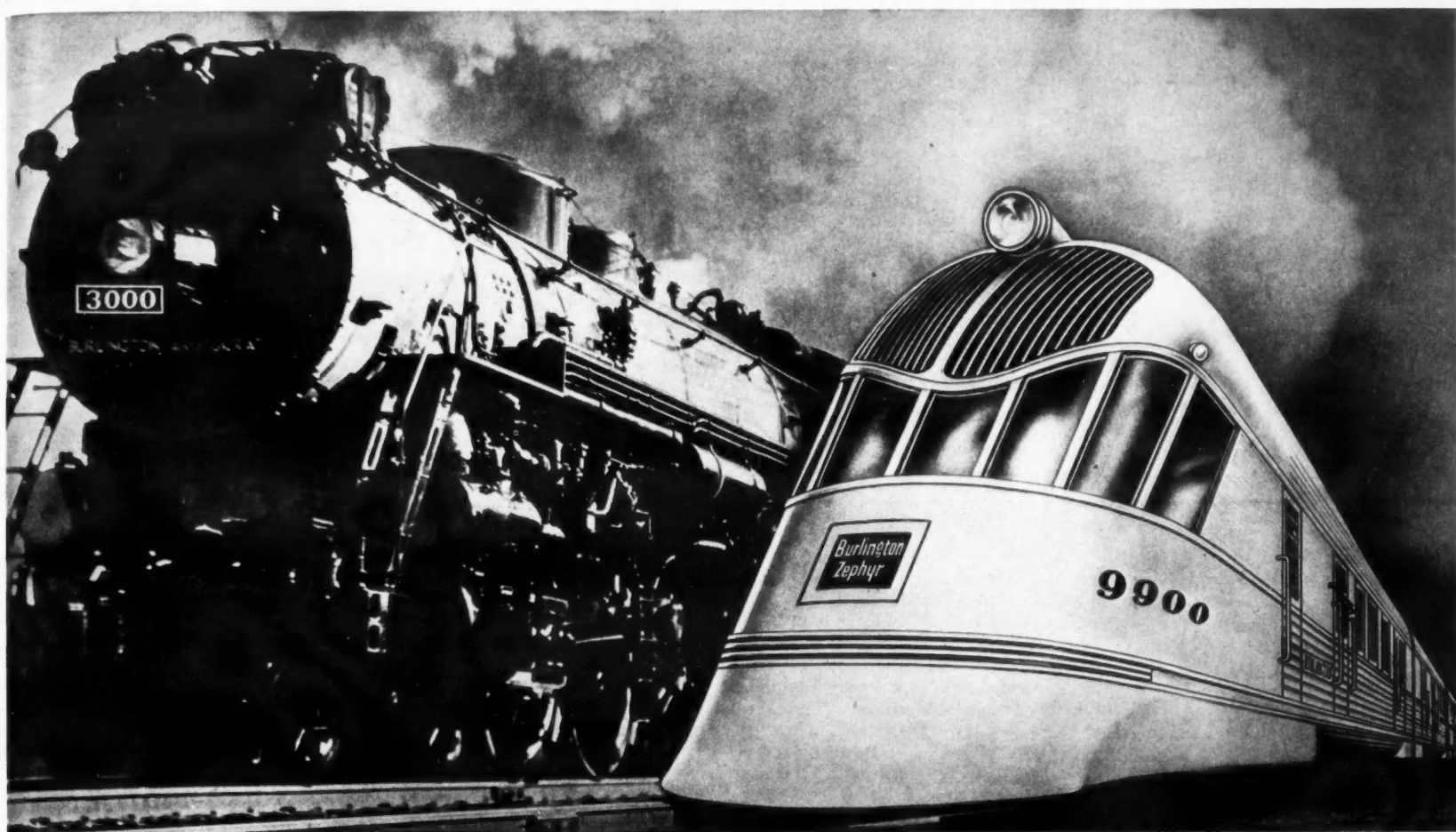
Mr. Eastman's plan for control of other forms of transportation will help the railroads. But finally, a national transportation plan must and will be worked out, either under public or private ownership, which may bring strength back to this industry.



CENTRAL EUROPE

The shaded area on the map indicates the Austro-Hungarian empire which was such a powerful combination before the World War.

—Courtesy The New York Times



THE PAST AND THE FUTURE OF RAILROADING

© Acme

Saving the Railroads

(Continued from page 1)

have suspended operations entirely. But most of the collapse has been financial. Enormous loans have been made to the railroads in recent years by the RFC. Before the depression huge short-term loans were made by private banking firms which in many cases assumed control of the lines in that manner. But the burden became too heavy for the banks to carry, and the job of furnishing credit had to be taken over by the government.

A Colorful History

Public sympathy and interest have been enlisted on the side of the railroads as they labored under their countless difficulties. It was not always so. The history of American railroading merits the use of practically all the adjectives in the English language. The story is romantic, dramatic, glorious, but it is also outrageous and scandalous. Its pages are studded with marvelous engineering achievements, minor wars against natural obstacles by thousands of unsung heroes—men who cut through mountains and crossed rivers with thousands of miles of track.

But these great feats were usually coupled with financial failures, wild and woolly money schemes, shady deals in stocks and bonds, and ruthless battles of cutthroat competition between the early giants of American capitalism. The great capitalists of the railroad era were men who very frankly took delight in wrecking railroad systems and ruining their investors, in order to pocket tremendous profits for themselves.

From 1830 to 1850 the first railroad lines were built in the East, the Middle West and the South. At first, of course, they were crude affairs—costly, slow, and for a time inferior to such waterways as the Erie Canal. During this period and until 1872, government aid was distributed freely to the railroads. Cities and states vied with each other in starting railroad lines which would advance them industrially. They invested government funds in these lines with lavish hands.

Perhaps the high point in government generosity was reached when the federal government began giving land to the

roads. Besides its right-of-way, each large rail line was handed alternate sections of land on either side of the road. To consider these grants now takes the breath away. For instance, the Northern Pacific, which received the largest grant, was given 42,000,000 acres, an area equal to a third of modern France. As an example of what occurred in two states alone, one-fourth of the total area of both Minnesota and Washington was granted to railroads. By the time the last grant was made in 1872, the total had reached 200,000,000 acres. The attitude of the government at this time was friendly to railroad monopolies, with various lines being given exclusive rights in certain territories.

The Great Fortunes

However, from the time of the war between the North and South until approximately 1880, an era of competition held sway. The big capitalists emerged. They had begun to pile up small fortunes in other lines, such as ocean shipping, when they saw the boundless opportunities for them in the railroad business.

The names of these men do not receive much attention in the political history books. Among them were Jay Cooke, Leland Stanford, Collis Huntington, Daniel Drew, Jay Gould, Jim Fisk, Commodore Vanderbilt, Jim Hill and others. To learn how these men alternately built and developed, wrecked and ruined American railroads, one must read a rather detailed economic history of that time, such as "The Robber Barons," by Matthew Josephson, which has just been published, and which is reviewed on another page of this paper.

The natural trend in the railroad industry as these financiers gathered power was again toward monopoly. They consolidated many small lines into the larger companies. They controlled freight rates and kept them at a high level. They gave large rebates to some favored shippers, and rates were so unorganized that often more money was charged for a short haul than for a long haul.

These practices resulted in a popular uprising against railroad monopolies and

their wild competition for business. Their influence in state and federal politics had been overwhelming. Thousands of farmers in the West were joined by eastern manufacturers in the demand for lower and uniform rates. In 1887 Congress passed a law establishing the Interstate Commerce Commission to govern the railroads and fix the rates.

The years that followed, from 1887 to 1917, saw the gradual adjustment of railroads to government regulation. The Interstate Commerce Commission grew in authority and wisdom, and the railroads enjoyed a good deal of prosperity. Once again the pendulum of government had swung toward the encouragement of healthy competition, rather than monopoly.

The War-Time Experiment

In December, 1917, the federal government took over the management of the roads for the duration of the World War, because the transportation system, all-important in war time, had been unable to work as a unit in shipping materials efficiently. It was hardly a fair test of government ownership. The purpose of government control for that emergency was to transport raw materials, war equipment and soldiers, not to make the railroads pay dividends.

When the roads were returned to private management in 1920, a transportation act was passed which broadened and defined the powers and duties of the ICC. The basic policy of the commission was changed, for the pendulum had swung the other way again—toward consolidation of the roads into larger and more compact regional systems. The next nine years brought competition by trucks and buses to its height. The railroads shared considerably in the general prosperity, but it was seen that they must develop a large plan which would meet the needs of each section of the country.

From late 1929 to early 1933 the railroads took their latest downward slide which reached serious proportions. From 1929 to 1932 the paid ton-miles (one ton of paid freight carried one mile) declined forty-eight per cent; the paid passenger miles

fell off forty-five per cent; total operating revenues were reduced fifty per cent. Net railroad income, after paying operating expenses and taxes, dropped seventy-four per cent. The final net income figure—in other words, what the railroads had left to pay stockholders after paying all expenses and the interest charges on heavy debts—was a profit of \$897,000,000 in 1929. Three years later the same total figure was a loss of \$139,000,000, a downward change of more than a billion dollars. In 1932 the number of railroad employees dropped below a million for the first time since 1889; in 1920 there were more than two million railroad workers.

Mr. Eastman faces a discouraging task in trying to help the railroads. Since the days of the "robber barons" the roads have inherited large issues of securities, which amount to debts or liabilities of the roads. Other huge issues of stocks and bonds have been added constantly, along with loans from the RFC, so that the interest charges each year are enough to pile up deficits, even though the lines may have made money otherwise during the year. Almost without exception the totals of these debts for the various roads are too high at present in comparison with the actual value of the physical properties—the locomotives, passenger and freight cars, terminals, roadbeds, roundhouses and other possessions.

Overcapitalization

All this equipment, then, is called upon to pay more income than its own worth warrants. This unpleasant fact may be illustrated by a simpler example. Suppose a man owns a store worth \$10,000, and that the business brings him a return of ten per cent each year, or \$1,000. If, at the same time, he owes a debt of \$20,000 and has to pay six per cent interest on it each year, the debt costs him \$1,200 a year. His \$10,000 store cannot possibly pay him enough returns to cover his debt payments. That is an exaggerated case of indebtedness. The store owner would go bankrupt very quickly, if he had no other source of income. But it serves as a

(Concluded on page 6, column 4)



The National Capital Week by Week

A Record of the Government in Action



THE great battle of the air continued last week. Secretary of War Dern appointed a committee of aviation experts to study the army's operation of the air mail and to report on aviation as a means of national defense. Col. Charles A. Lindbergh, Clarence Chamberlain, and Orville Wright were among those invited to serve on the committee. But Lindbergh refused. In fact he refused twice,

The Republicans will probably bring it up as a campaign issue next fall, however. After a little more than a year of the Roosevelt administration, the "expert" political writers generally agree that only two major political mistakes have been made. There have been other slips in administration, of course, but not very large political mistakes. A political mistake is an error which will have bad consequences for the

party at the polls in the next election. Mr. Jim Farley has been cited time and again as the prime example of the man who makes no political "boners." His advice in such matters has been considered much more reliable than that of the "impractical" college professors and scientists who also advise Mr. Roosevelt.

The handling of the air mail matter has very apparently been a political blunder. The other big one was the unofficial sponsorship by the Roosevelt forces of Joseph McKee as a candidate for mayor of New York City against Fiorello LaGuardia. If any one man can be held responsible for both maneuvers, Mr. Farley is the man. The political commentators are beginning to believe that the professors haven't done so badly, after all.

Congress has plenty of grist for its legislative mill to be passed upon between now and June, when the session will probably end. Major matters waiting for consideration include the following measures which have an emergency character: 1. The Bankhead cotton control bill, which would place a definite limit on the next cotton crop and place a tax on any overproduction. 2. The president's request for authority to raise and lower tariffs and to negotiate tariff treaties with various foreign countries. 3. A bill to establish intermediate credit banks—government banks in the federal reserve districts to loan money directly to industry. 4. The Connery bill for a thirty-hour week. 5. The Patman bonus bill, to pay the soldiers' bonus in full with an issue of greenbacks.

The Tariff Prospects

The Bankhead bill probably will pass without much change in its wording. President Roosevelt may be able to get some tariff powers, but the Senate will only give them to him grudgingly, reserving the right to review his action. What authority he does get will probably not be enough to help our foreign trade very soon. There will be heated debate over this bill.

The intermediate credit bank bill is highly important. Through it the administration

hopes to start credit flowing into business channels. Private banks are unwilling to take risks at the present time, though they have large sums of credit available. The Connery bill, if passed, would probably not be signed by the president. It is mostly an instrument of persuasion, to convince employers that they should shorten hours before Congress passes a law to do it.

By a vote of 295 to 125, the House of Representatives has passed the bonus bill. The Senate is likely to pass it, too. But the votes for the bill in both houses amount only to a political gesture, for use in the election campaigns. Mr. Roosevelt told Congress he would veto the bill. They believe him, and they are seizing the opportunity to attract votes of the war veterans. If the bill should be returned to Congress after the president's veto, enough votes would be changed to sustain the chief executive. While the administration did not favor the bill, its passage in the House is not a defeat for the Roosevelt side.

In addition to the five bills outlined above, there are five more before Congress which have a permanent reform character, in contrast to the emergency bills. They are as follows: 1. The Fletcher-Rayburn stock exchange control bill. 2. The communications bill, which would bring all telegraph, telephone and radio facilities under federal control. 3. The Wagner labor disputes bill, involving Senator Wagner's plan to strengthen the National Labor Board, define more exactly the collective bargaining idea, and make the board permanent. 4. Tydings-McDuffie Philippine independence bill. 5. Permanent air mail policy plan.

Probable Action

After a good deal of amendment and strenuous debate, it is expected that the stock market bill will be passed during this session. The matter of communications is not pressing. It is a long-range plan, and will not be pushed at this session unless there is plenty of time for its consideration during the month of May. The Wagner bill, concerning the National Labor Board, was explained in a previous issue of THE AMERICAN OBSERVER. It will very likely be changed a little and passed in modified form.

The bill for Philippine independence is simply a revival of the Hawes-Cutting bill, with a few changes, including the agreement to abolish American military bases on the islands. This measure will be passed, but whether the Philippines will

accept it is another matter. They rejected the Hawes-Cutting proposal. There is strong sentiment in Congress to return the air mail to private operators as soon as possible, and that will hurry the new bill along, with its quota of amendments.

Aside from these ten bills, the most important and controversial question in Congress now is the disposal of the Independent Offices Appropriations bill. The Senate destroyed the president's economy program by restoring in this measure some \$250,000,000 in veterans' benefits and most of the pay cut of government employees.

Two courses are open. Congress may compromise with Mr. Roosevelt, restoring only part of the benefits now listed. Or it may pass the bill just about as it stands, wait for the veto, and then pass a resolution which would carry on the present appropriations for another year. The second choice would leave the veterans' payments just as they are in the economy bill now in force, but would restore the government pay cut.

Roosevelt Loses

President Roosevelt lost out on the St. Lawrence waterway treaty. It failed to get the necessary two-thirds vote in the Senate. The vote was forty-six to forty-two in favor of the treaty, thirteen votes short of the required number. Since the treaty was



FOR SERVICES RENDERED
—Talburt in Washington News

the second time being a denial of Secretary Dern's request that he reconsider. Mr. Chamberlain, who is also noted as a transatlantic flyer and an excellent pilot, indicated he would accept a place on the board.

Continued Dispute

The Senate committee on post offices, which is considering the new bill to return the air mail to private companies, listened to testimony from both these flyers. Colonel Lindbergh again repeated his belief that the cancellation of the old contracts was unjust. The administration leaders have implied that, while they do not doubt Lindbergh's good faith and have great admiration for him as an aviation authority, they are not sure whether his judgment in regard to the air lines has been affected by the salaries and stock benefits he has received from them. They have confidence in Lindbergh the master pilot, but not very much in Lindbergh the business man. In his testimony he denied that his judgment was affected in any way by his connection with the air lines.

Chamberlain told the committee he thought a good many reasons for cancelling the contracts had been uncovered, but that he did not know whether they were sufficient to justify the action. From now on the air mail controversy is expected to die down considerably. It has been almost "talked out."



QUESTION: HOW TO LET GO
—Darling in N. Y. HERALD-TRIBUNE

one of the president's pet projects, he undoubtedly was very much disappointed by its defeat. But it is now believed that he did not exert as much pressure on Democratic senators as had been supposed. Otherwise he could have had several more votes. Apparently he wanted to save some of his bargaining power in senatorial votes for such subjects as the tariff bill, where every vote will be badly needed.

Something to Think About

1. What important advantages, or disadvantages, as the case may be, may be expected to accrue from the recent Italian-Austrian-Hungarian accord to France? To Germany? To Italy? To the members of the Little Entente? To Austria and Hungary? To the United States?
2. Do you think that the general European political situation will be ameliorated or aggravated as a result of the agreement? Give a detailed answer.
3. Is there any reason to believe that the economic and political set-up effected at Rome will prove temporary, especially as it affects Austria?
4. "It has become evident that the entire transportation industry, including the other agencies as well as the railroads, is in need of the guiding hand of government control if a threatening chaos is to be transformed into order." Explain the significance of this statement made by Railroad Coordinator Eastman.
5. Do you think that the federal government should take over the railroads of the country and operate them? In your opinion, would such a step result in greater or less efficiency?
6. To what extent do you believe the present difficulties of the railroads to be due to the malpractices which sprang up during the early days of American railroading? To what extent do you think them attributable to other causes?

7. What fundamental issue is involved in the recent Detroit labor disputes and how is the settlement of that issue likely to affect the future relations between capital and labor in this country?
8. Name the principal advantages enjoyed by Rumania by belonging to the Little Entente.

9. Name and explain six important measures now awaiting action by Congress.
REFERENCES: (a) The Reorganization of the Transportation System of the United States. *The Annals of the American Academy of Political and Social Science*, January, 1934, pp. 154-275. (b) Coordinating the Railroads. *Today*, January 13, 1934, pp. 3-4. (c) The American Transportation Problem. Prepared for the National Transportation Committee by Harold G. Moulton and Associates. (d) Can Austria Survive? *Fortnightly Review*, November, 1933, pp. 542-550. (e) Danubian Tangle. *Catholic World*, February, 1934, pp. 579-587.

PRONUNCIATIONS: Dacian (day'shun), Carpathian (car-pay'the-un—e as in eke), Moldavia (mol-day'vee-a), Wallachia (wo-lay'kee-a), Titulesco (teet-oo-lesh'koo), Kurt Schmitt (koort shmeet), Krupp von Bohlen (kroop fon bo-len—last o as in go), Comité des Forges (ko-mee-tay' day fo'r-z—s as in azure), Rechberg (reck'baig), Molynaux (mo-lee-no'—o as in go), Andrea (on-dray'a), Brese (bray'zay), Deladda (day-lahd'dah), von Starhemberg (fon shtar'em-baig), Dobrudja (do'broo-dja—first o as in go).